



## DISCUSSION & REVIEW QUESTIONS:

- Towards the beginning of the video, Professor Folsom shares with us that, "...only after the government failed repeatedly to promote economic growth and only after private enterprise succeeded where the government failed did the United States start to develop a world beating economy." Why do you think that the government failed to promote economic growth? What do you think the significant factors were in the private sector being able to finally enable the U.S. to compete economically with other countries?
- When sharing the history of the telegraph, Professor Folsom explains that, "...Morse, more of an idealist than businessman, agreed to let the government own and operate the telegraph 'in the national interest.' But the government steadily lost money each month it operated the telegraph. During 1845, expenditures for the telegraph exceeded revenue by six-to-one and sometimes by ten-to-one. Seeing no value in the invention, Congress turned the money-loser over to private enterprise." What reasoning and assumptions do you think the government relied upon when initially making the ultimately poor decision to oversee the telegraph? What do you think the government meant by 'in the national interest?' How different do you think the world would be if the U.S. government decided to take over the running of the internet 'in the national interest?'
- Professor Folsom then addresses the obvious question, "Why didn't the US government profitably use what Morse had invented? Part of the answer is that the incentives for bureaucrats differ sharply from those of entrepreneurs. When government operated the telegraph, Washington bureaucrats received no profits from the messages they sent, and the cash they lost was the taxpayers', not their own. So government officials had no incentive to improve service, to find new customers, or to expand to more cities." Given that the government doesn't have the same type of economic incentives that entrepreneurs do, do you think that the government should operate any industry? Why or why not? Professor Folsom states that this was 'part of the answer.' What do you think the other parts of the answer may be (to the question of why the government didn't make the telegraph profitable)?
- At the end of the video, Professor Folsom notes that, "You'd think we would have learned our lesson by now: economic prosperity comes from free enterprise, not from government subsidies. But it's a lesson we have to learn every generation." What do you think Professor Folsom means by this? Why do you think that we have to learn the same lesson 'every generation?'

## EXTEND THE LEARNING:

### CASE STUDY: Amtrak

INSTRUCTIONS: Read the article “To see why Amtrak’s losses mount, hop on the Empire Builder train,” then answer the questions that follow.

- How much money did the Empire Builder lose between October and March of the year reported in the article? Why? How does Amtrak pay for its money-losing routes? Out of its 48 lines, how many are money-losing? How much money did congress approve for Amtrak on the day after the fatal derailment of a train in Philadelphia? How did John Mica characterize Amtrak, and what is his solution for fixing its problems? How many passengers does Amtrak’s long-distance routes carry, and what percentage are the costs for those routes?
- Why is Amtrak losing money? Do you think that the government should be running the train system? Why or why not? Do you think that private companies could run it better and make a profit? Explain.
- How does this article relate to the points made by Professor Folsom in the video? Do you think that this article supports Professor Folsom’s conclusion that economic prosperity comes from free enterprise rather government control? Why or why not?



# QUIZ

## WHY IS AMERICA SO RICH?

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- 1. At one time, the US government \_\_\_\_\_.**
  - a. had a profitable fur business
  - b. left all decisions to the states and had no federal involvement
  - c. trusted itself to make important business decisions
  - d. had a profitable steamship business.
  
- 2. Economic prosperity comes from \_\_\_\_\_.**
  - a. government subsidies
  - b. democratic socialism
  - c. foreign investments
  - d. free enterprise
  
- 3. Why didn't the US government profitably use the telegraph that Morse had invented?**
  - a. They didn't know how it worked.
  - b. Government officials had no incentive to improve service.
  - c. They only used it to transmit governmental correspondence.
  - d. Morse was too involved with how the telegraph was used.
  
- 4. What happened after the telegraph was turned over to private enterprise?**
  - a. The quality of service improved.
  - b. A telegraph cable was eventually strung across the Atlantic Ocean.
  - c. The business took off.
  - d. All of the above.
  
- 5. Government control of the telegraph and furs failed, but its control of steamships was ultimately successful.**
  - a. True
  - b. False



# QUIZ - ANSWER KEY

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<http://www.reuters.com/article/us-amtrak-finances-insight-idUSKBN0OD17R20150528>

# To see why Amtrak's losses mount, hop on the Empire Builder train

By Ernest Scheyder | ABOARD THE EMPIRE BUILDER

Its passengers are mostly silver-haired retirees, oil-field workers and a few young families gazing out the windows of Amtrak's least-profitable and third-longest line, rumbling from Chicago through eight states and on to the American West Coast.

As the Empire Builder snakes along 2,230 miles (3,590 km) on a 46-hour journey, it offers insights into the financial problems plaguing America's passenger railroad at a time of intensifying scrutiny over its aging infrastructure and safety record.

Following Amtrak's May 12 fatal derailment in Philadelphia, the 86-year-old line sums up its problems — and its promise. Running most of its length near no major highways, the Empire Builder reaches into some of America's most rugged, remote and rural regions. A coach ticket between Spokane, Washington and Williston, capital of North Dakota's oil boom, costs \$111, much cheaper than flying.

Its supporters include both Republican and Democrat politicians, illustrating how the often-vicious partisan rancor over Amtrak in Washington evaporates in sparsely populated areas of the country that need it most.

And like many of Amtrak's long-distance routes, it's growing.

The shale boom has helped swell passenger numbers, which are up 28 percent between 1997 and 2014.

The increase comes from workers like John Dirby, who rides the Empire Builder from his Montana home to North Dakota's oil fields, where he works as a truck driver, a 10-hour trip. It's longer than by car but worth it, he says. "I spend tons of time for that job driving already. Why would I want to add on more time behind a wheel?"

But the demand isn't enough to make it financially viable: the service lost \$34.8 million between October and March, more than the same period in the previous fiscal year when it lost \$31.9 million.

Many seats remain empty. When a Reuters reporter traveled from St. Paul, Minnesota to Williston, several sleeper cars were vacant at various intervals. In the coach cabin each passenger had at least a two-person seat to themselves for most of the trip.

To pay for its money-losing routes, Amtrak peels funds away from its profitable ones such as the Northeast Corridor, where its high-speed Acela and Northeast Regional trains saw a combined \$484.7 million profit in its last fiscal year.



Passengers sit in the upper deck of a lounge car on Amtrak's Empire Builder, part of the American rail network's most-expensive and third-longest line, as it travels between Minneapolis and Williston, North Dakota, in this picture taken May 20, 2015. REUTERS/Ernest Scheyder

That's stoking debate over the future of Amtrak and how far Washington should foot the bill for upgrades to aging infrastructure and safety technology at the federal railroad that has bled red ink since its 1971 creation. Of its 48 lines, only five make a profit and one breaks even.

Democrats have called for \$1 billion in additional funding for Amtrak. Chuck Schumer, a Democratic Senator from New York, says such investments could have prevented the Philadelphia accident, citing Amtrak's failure to install Positive Train Control on the sharp bend where the train derailed. The mechanism, federal safety officials say, would have automatically slowed the speeding train.

Many Republicans, backed by conservative groups including Club for Growth, say the federal passenger rail authorization spending of \$7.2 billion over four years is already too much. The Republican-controlled House Appropriations Committee voted on May 13, a day after the crash, to approve a \$1.14 billion Amtrak budget for next fiscal year, a \$252 million cut from this year.

John Mica, a Republican in the House, urged privatization for Amtrak as a solution to what he called a "third-world rail system ... run in a Soviet-style operation."

Caught in the middle are heartland politicians, including some Republicans, who want to preserve Amtrak services to their remote towns, along with an eclectic mix of passengers.

"If one can afford the time, this is a fun, carefree way to travel," said Mary Firestone, 60, who took the Empire Builder's entire route from Chicago to connect with a ferry in Seattle en route to an Alaskan job.

## TENSIONS

The push to roll back Amtrak funding has laid bare tensions between Washington's Republican establishment and North Dakota's Republican-dominated Congressional delegation, a fight that echoes tensions elsewhere in the country.

"I will fight to at least maintain current funding for Amtrak," Representative Kevin Cramer, North Dakota's Republican congressman, said in an interview. "Clearly the role of Amtrak in North Dakota has changed from one of convenience and local economic development to an essential form of transportation for a workforce highly in demand."

Other long-distance routes are also growing, while losing millions of dollars. The Southwest Chief, from Chicago to Los Angeles, recorded a 10.5 percent increase in ridership in the year to March, a period when it lost \$30 million. The number of passengers on the Sunset Ltd, from Louisiana to California, rose 14.5 percent while it lost \$18.1 million, according to Amtrak data.

Eighteen states contribute funds to Amtrak, including nine led by Republican governors.

"All of the rhetoric over Amtrak that exists in D.C. simply does not exist outside D.C.," said Robert Puentes, a senior fellow at the Brookings Institution who specializes in transportation and infrastructure. "It's a completely different conversation."

In total, long-distance routes carry about 14.6 percent of Amtrak's passengers but soak up about 41 percent of the costs.

Those who board the Empire Builder have noticed some cost-cutting recently, including the loss of a free wine tasting program the rail network discontinued after Amtrak's inspector general in 2013 called the practice too expensive.

"I miss the wine and cheese nights," Theo Anderson, a retired banker from Seattle, said over a plate of eggs in the train's dining car as the North Dakota prairie retreated behind him. "I guess they're trying to save money."

(Additional reporting by David Lawder in Washington. Editing by Jason Szep and Martin Howell)